



THE KAISER COMMISSION ON  
**Medicaid and the Uninsured**

# **Covering the Uninsured: How Much Would It Cost?**

*A New Health Affairs Web Exclusive from*

**THE COST OF NOT COVERING  
THE UNINSURED PROJECT**

**AN ONGOING INITIATIVE OF  
THE KAISER COMMISSION ON MEDICAID AND THE UNINSURED**

**Briefing Charts for**

**Diane Rowland, ScD  
The Kaiser Commission on Medicaid and the Uninsured**

*and*

**study authors  
Jack Hadley, PhD  
John Holahan, PhD  
The Urban Institute**

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## PROJECT OVERVIEW

Figure 1

### **The Cost Of Not Covering The Uninsured Project**

The Kaiser Family Foundation initiated The Cost of Not Covering the Uninsured project to explore what is known and what should be known about the costs society incurs when so many have no health insurance coverage.

Under this initiative, we convened an expert advisory group that worked with staff of the Kaiser Commission on Medicaid and the Uninsured to plan and oversee new analyses and reports that would further the understanding of this critical issue.

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Figure 2

### **The Cost Of Not Covering The Uninsured Project**

**The project has explored three major questions to date:**

1. What are the consequences of being uninsured for health and earnings?
2. What is the cost of care currently received by the uninsured and who pays those costs?
3. How much more would it cost to cover the uninsured?

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Figure 3

## The Consequences of Being Uninsured

Research demonstrates that the uninsured:

- use fewer preventive and screening services;
- are sicker when diagnosed;
- receive fewer therapeutic services;
- have poorer health outcomes (higher mortality and disability rates); and
- have lower annual earnings because of poorer health

SOURCE: Hadley, Jack. "Sicker and Poorer – The Consequences of Being Uninsured: A Review of the Research on the Relationship between Health Insurance, Medical Care Use, Health, Work, and Income," *Medical Care Research and Review* (60:2), June 2003.

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Figure 4

## How Much Medical Care Do the Uninsured Use and Who Pays for it?

- In 2001, total cost of care received by the uninsured was \$98.8 billion.
- Uncompensated care accounted for \$35 billion of care received by uninsured.
- Most uncompensated care, up to \$30 billion, is already financed by government.

SOURCE: Hadley, Jack and John Holahan, "How Much Medical Care Do the Uninsured Use and Who Pays for It?" *Health Affairs Web Exclusive*, February 2003.

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# HOW MUCH MORE WOULD IT COST TO COVER THE UNINSURED?

Figure 5

## New Report *Covering the Uninsured: How Much Would It Cost?*



Latest report, released today as a *Health Affairs Web Exclusive*, focuses on how much additional medical care would be used under broad coverage expansions.

Article available at:  
<http://www.healthaffairs.org>

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Figure 6

## Overview of New Study

- **Cost of additional medical care used by the uninsured because they obtain coverage**
- **Does not consider transfer costs**
  - People moving from private to public coverage
  - Increased government subsidies for private coverage and payments
- **Not tied to a specific proposal**

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Figure 7

## Study Methodology

- Estimate statistical models that predict health care spending based on socio-demographic and health characteristics.
- Separate predictions for adults (19-64) and children.
- Include all uninsured (part-year and full-year).
- Privately insured data limited to lower/middle-income (LT 400% poverty) families.

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Figure 8

## Data: 1996-1998 MEPS (updated to 2001)

- Nationally representative sample of noninstitutionalized nonelderly population
- Large sample sizes

	<u>Full-Year Uninsured</u>	<u>Part-Year Uninsured</u>	<u>Privately Insured</u>	<u>Publicly Insured</u>
All	11,167	9,181	21,788	7,648
Adults	8,003	5,587	13,398	2,509
Children	3,164	3,594	8,390	5,139

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Figure 9

## Two Benchmark Estimates

### 1. “Average” private insurance plan

- based on medical spending of lower/middle income (income less than 400% of poverty) people with private insurance

### 2. “Average” public insurance plan

- based on medical spending for people with Medicaid, SCHIP, or similar state coverage

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Figure 10

## Current Spending by Insurance Coverage (2001 Dollars)

	Full-Year Uninsured	Part-Year Uninsured	Privately Insured	Publicly Insured
<b>Adults</b>				
% w/ expense	58.2%	79.8%	85.2%	86.8%
Spending per capita	\$1,158	\$2,241	\$2,970	\$4,850
<b>Children</b>				
% w/ expense	64.2%	79.6%	86.0%	80.8%
Spending per capita	\$475	\$943	\$1,492	\$1,034

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Figure 11

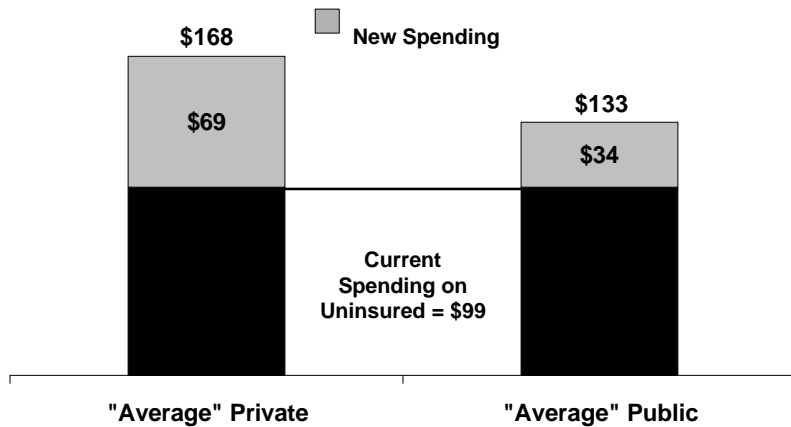
## Simulated Spending per Capita (2001 Dollars)

	Baseline (actual)	"Average" Private	"Average" Public
All Uninsured	\$1,383	\$2,676	\$2,121
Full-Year Uninsured	\$989	\$2,650	\$2,068
Part-Year Uninsured	\$1,813	\$2,705	\$2,178

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Figure 12

## Total Medical Spending for the Uninsured, Simulated Private vs. Public Coverage Expansion (Billions of 2001 Dollars)



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Figure 13

## Why Is the Estimated Cost of Average Public Coverage Lower?

**Two possible answers:**

- Lower service use
- Lower provider payment
  
- **Service use higher or the same under simulated public coverage and total charges about 5% lower**
  
- **Lower public payment rates responsible for most of the difference in costs**

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Figure 14

## Perspectives on the Cost of Additional Care Used by the Newly Insured

- **Would increase total health care spending by 3-6%.**
  
- **Would increase the share of GDP going to health care by less than 1%.**
  
- **Substantially less than expected average annual loss of \$170 billion in Federal revenues due to tax cuts.**

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Figure 15

## **Cost of Covering the Uninsured Not the Same as the Cost of Health Reform**

**Health Reform Proposals include the Costs of:**

- **Covering the uninsured**
- **Providing subsidies to some who keep private coverage**
- **Paying for those who move from private to public coverage**

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Figure 16

## **Reform Proposals Often Involve Tradeoffs between Target Efficiency and Equity**

- **Target Efficiency**
  - Minimizes new public spending
  - Few benefit beyond the uninsured
- **Equity**
  - Treats like people similarly, but at greater public cost
  - More people benefit

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Figure 17

## Two Hypothetical Proposals with Comparable Coverage Expansions

### High Public Cost Proposal

- Covers many uninsured
- Benefits to many who already have coverage
- Higher taxes, offset by some savings to employers, individuals, and state & local governments

### Low Public Cost Proposal

- Covers many uninsured
- Fewer benefits to those now with coverage
- Lower taxes, but fewer savings to employers, individuals, state & local governments

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Figure 18

## Cost of Coverage Expansions Should Consider Current Uninsured Spending

- **Governments already spend \$30 billion to care for the uninsured through disproportionate share payments, other federal, state & local hospital subsidies, and various federal programs.**
- **We estimate the additional costs, above current costs, that result because people use more care when insured.**
  - \$69 billion via “average” private coverage
  - \$34 billion via “average” public coverage
- **Can current costs be transferred to help finance coverage?**

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